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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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**ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III**

SEC FILE NUMBER
8- 49279

FACING PAGE

**Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 04/01/05 AND ENDING 03/31/06  
MM/DD/YY MM/DD/YY

**A. REGISTRANT IDENTIFICATION**

NAME OF BROKER-DEALER: **Stephen A. Kohn & Associates, Ltd.**

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

**3232 South Vance Street, Suite 210**

(No. and Street)

**Lakewood**

(City)

**CO**

(State)

**80227**

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

**Stephen A. Kohn**

**(303) 984-2558**

(Area Code - Telephone Number)

**B. ACCOUNTANT IDENTIFICATION**

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

**Spicer Jeffries LLP**

(Name - if individual, state last, first, middle name)

**5251 S Quebec St, Suite 200**

(Address)

**Greenwood Village**

(City)

**CO**

(State)

**80111**

(Zip Code)

**CHECK ONE:**

☒ Certified Public Accountant

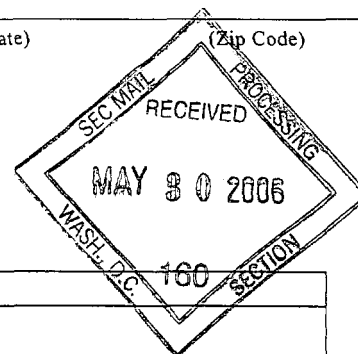
☐ Public Accountant

☐ Accountant not resident in United States or any of its possessions.

PROCESSED

JUL 10 2006

THOMSON  
FINANCIAL



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\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

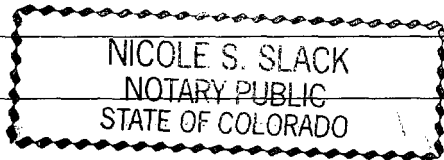
SEC 1410 (06-02)

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AB  
7/7/06

## OATH OR AFFIRMATION

I, Stephen A. Kohn, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of Stephen A. Kohn & Associates, Ltd., as of March 31, 2006, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:



MY COMMISSION EXPIRES  
10/06/06

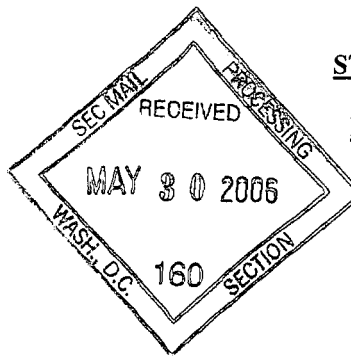
Nicole S. Slack  
Notary Public

[Signature]  
Signature  
**President**  
Title

This report \*\* contains (check all applicable boxes):

- ☒ (a) Facing Page.
- ☒ (b) Statement of Financial Condition.
- ☒ (c) Statement of Income (Loss).
- ☒ (d) Statement of Changes in Financial Condition.
- ☒ (e) Statement of Changes in Stockholders' Equity of Partners' or Sole Proprietors' Capital.
- ☐ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
- ☒ (g) Computation of Net Capital (including reconciliation of X-17A-5 Part II filing with this Rule 17a-5(d) report, if applicable).
- ☐ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
- ☐ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
- ☐ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
- ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
- ☒ (l) An Oath or Affirmation.
- ☐ (m) A copy of the SIPC Supplemental Report.
- ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
- ☒ (o) Independent Auditors' Report on Internal Accounting Control.

\*\*For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



STEPHEN A. KOHN & ASSOCIATES, LTD.

REPORT PURSUANT TO RULE 17a-5(d)

YEAR ENDED MARCH 31, 2006

STEPHEN A. KOHN & ASSOCIATES, LTD.

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## INDEPENDENT AUDITORS' REPORT

The Board of Directors of  
Stephen A. Kohn & Associates, Ltd.

We have audited the accompanying statement of financial condition of Stephen A. Kohn & Associates, Ltd. as of March 31, 2006, and the related statements of operations, changes in shareholder's equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Stephen A. Kohn & Associates, Ltd. as of March 31, 2006, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The information contained in the supplemental schedule listed in the accompanying index is presented for purposes of additional analysis and is not required for a fair presentation of the financial statements, but is supplementary information required by Rule 17a-5 of the Securities and Exchange Commission. Such information has been subjected to the auditing procedures applied in our audit of the financial statements and, in our opinion, is fairly stated in all material respects in relation to the financial statements taken as a whole.

*Spicer Jeffries LLP*

Greenwood Village, Colorado  
May 11, 2006

**msi** Legal & Accounting  
Network Worldwide

Spicer Jeffries is a member of MSI, a network of independent professional firms.

STATEMENT OF FINANCIAL CONDITION  
MARCH 31, 2006

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**ASSETS**

Cash and cash equivalents	\$ 43,584
Deposit with clearing firm	26,075
Due from clearing broker	13,050
Securities owned, at market value	<u>64,129</u>
<i>Total assets</i>	<u><u>\$ 146,838</u></u>

**LIABILITIES AND SHAREHOLDER'S EQUITY****LIABILITIES:**

Accounts payable and accrued expenses	\$ 23,005
Commissions payable	<u>37,000</u>
<i>Total liabilities</i>	<u>60,005</u>

**COMMITMENTS AND CONTINGENCIES (Notes 4 and 5)****SHAREHOLDER'S EQUITY (Note 3):**

Common stock, par value \$.001 per share; 800,000 shares authorized; 800,000 shares issued and outstanding	800
Additional paid-in capital	164,900
Deficit	<u>(78,867)</u>
<i>Total shareholder's equity</i>	<u>86,833</u>
<i>Total liabilities and shareholder's equity</i>	<u><u>\$ 146,838</u></u>

The accompanying notes are an integral part of this statement.

**STATEMENT OF OPERATIONS**  
**FOR THE YEAR ENDED MARCH 31, 2006**

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**REVENUES:**

Commissions	\$ 496,881
Advisory fees	58,330
Unrealized gain on securities owned	43,487
Other income	<u>249,337</u>

<i>Total revenues</i>	<u>848,035</u>
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**EXPENSES:**

Commissions	398,527
Clearing expenses	1,514
General and administrative expenses	303,530
Occupancy and equipment expenses	39,230
Professional fees	25,425
Communications	14,293
Dues and assessments	<u>9,137</u>

<i>Total expenses</i>	<u>791,656</u>
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<b>NET INCOME BEFORE INCOME TAXES</b>	56,379
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<b>INCOME TAXES (Note 2)</b>	<u>-</u>
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<b>NET INCOME</b>	<u><u>\$ 56,379</u></u>
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**STATEMENT OF CHANGES IN SHAREHOLDER'S EQUITY  
FOR THE YEAR ENDED MARCH 31, 2006**

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	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated (Deficit)
<b>BALANCES, March 31, 2005</b>	800,000	\$ 800	\$ 164,900	\$ (135,246)
Net income	<u>-</u>	<u>-</u>	<u>-</u>	<u>56,379</u>
<b>BALANCES, March 31, 2006</b>	<u>800,000</u>	<u>\$ 800</u>	<u>\$ 164,900</u>	<u>\$ (78,867)</u>

The accompanying notes are an integral part of this statement.



**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED MARCH 31, 2006**

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**CASH FLOWS USED IN OPERATING ACTIVITIES:**

Net income	\$ 56,379
Adjustments to reconcile net income to net cash provided by operating activities:	
Decrease in commissions receivable	9,548
Increase in deposit with clearing firm	(26,075)
Decrease in due from clearing broker	13,221
Increase in securities owned, at market value	(21,148)
Decrease in accounts payable and accrued expenses	(4,677)
Increase in commissions payable	<u>1,000</u>

**NET INCREASE IN CASH AND CASH EQUIVALENTS** 28,248

**CASH AND CASH EQUIVALENTS, beginning of year** 15,336

**CASH AND CASH EQUIVALENTS, end of year** \$ 43,584

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

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**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES****Organization and Business**

Stephen A. Kohn & Associates, Ltd., (the "Company") was incorporated in Colorado on April 23, 1996 and operates as a securities broker-dealer dealing mainly in mutual funds and insurance related products. In addition, the Company may purchase and sell common stock on behalf of its customers and receive fees for investment banking activities.

**Clearing Agreement**

The Company under Rule 15c3-3(k)(2)(ii) is exempt from the reserve and possession or control requirements of Rule 15c3-3 of the Securities and Exchange Commission. The Company does not carry or clear customer accounts. Accordingly, all customer transactions are executed and cleared on behalf of the Company by its clearing broker on a fully disclosed basis. The Company's agreement with its clearing broker provides that as clearing broker, the firm will make and keep such records of the transactions effected and cleared in the customer accounts as are customarily made and kept by a clearing broker pursuant to the requirements of Rules 17a-3 and 17a-4 of the Securities and Exchange Act of 1934, as amended (the "Act"). It also performs all services customarily incident thereon, including the preparation and distribution of customer's confirmations and statements and maintenance margin requirements under the Act and the rules of the Self Regulatory Organizations of which the company is a member.

**Revenue Recognition**

Securities owned by the Company are recorded at market value and related changes in market value are reflected in income. For the year ended March 31, 2006, the Company has recorded proprietary transactions on a trade date basis. Commission revenue and related expenses have been recorded on a trade date basis. Other revenue is recognized when earned.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Depreciation**

The Company provides for depreciation of furniture and equipment on the straight-line method based on the estimated lives of the assets ranging from five to seven years. At March 31, 2006, all furniture and equipment were fully depreciated.

## NOTES TO FINANCIAL STATEMENTS

(continued)

**NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (concluded)**Statement of Cash Flows**

For purposes of cash flows, the Company considers money market funds with maturity of three months or less to be cash equivalents.

**Income Taxes**

The Company accounts for income taxes in accordance with Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under the asset and liability methods of Statement 109, deferred tax assets and liabilities are recognized for the estimated future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax basis. Deferred tax assets and liabilities are measured using enacted tax rates in effect for the year in which those temporary differences are expected to be recovered or settled.

**NOTE 2 - INCOME TAXES**

During the year ended March 31, 2006, the Company utilized approximately \$56,500 of its net operating loss carryforward to offset taxes currently due.

The Company has an unused net operating loss carryforward as of March 31, 2006, of approximately \$76,700 for income tax and financial reporting purposes, expiring at various dates through March 31, 2025.

Significant components of the Company's deferred tax liabilities and assets as of March 31, 2006 are as follows:

Deferred tax liabilities	\$ -
Deferred tax assets:	
Net operating loss carry forward	26,100
Valuation allowance for deferred tax assets	(26,100)
	\$ -

The valuation allowance decreased \$18,900 for the year ending March 31, 2006.

## NOTES TO FINANCIAL STATEMENTS

(continued)

**NOTE 3 - NET CAPITAL REQUIREMENTS**

Pursuant to the net capital provisions of Rule 15c3-1 of the Securities Exchange Act of 1934, the Company is required to maintain a minimum net capital, as defined under such provisions. At March 31, 2006, the Company had net capital and net capital requirements of \$68,309 and \$5,000, respectively. The Company's net capital ratio (aggregate indebtedness to net capital) was 0.88 to 1. According to Rule 15c3-1, the Company's net capital ratio shall not exceed 15 to 1.

**NOTE 4 - COMMITMENTS AND RELATED PARTY TRANSACTIONS**

During the year ended March 31, 2006, the Company paid \$14,651 to a related party for the use of a copier and automobile.

The Company has also entered into a noncancellable operating lease for office space which expires in August 2007. Below is a schedule of future rental commitments by fiscal year-end:

<u>March 31,</u>	
2007	\$ 20,441
2008	<u>8,656</u>
<b>Total</b>	<b><u>\$ 29,097</u></b>

Rental expense for the year ended March 31, 2006 was \$22,574.

**NOTE 5 - FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISKS AND CONTINGENCIES**

The Company is in business as a securities broker-dealer registered with the Securities and Exchange Commission and the National Association of Securities Dealers. The Company is a broker and deals primarily in stocks, bonds and mutual funds which it buys and sells on behalf of its customers on a fully disclosed basis.

In the normal course of business, the Company's client activities ("clients") through its clearing broker involve the execution, settlement and financing of various client securities transactions. These activities may expose the Company to off-balance sheet risk. In the event the client fails to satisfy its obligations, the Company may be required to purchase or sell financial instruments at prevailing market prices in order to fulfill the client's obligations.

In the Company's trading activities, the Company has purchased securities for its own account and may incur losses if the market value of these securities decline subsequent to March 31, 2006.

NOTES TO FINANCIAL STATEMENTS

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(continued)

**NOTE 5 - FINANCIAL INSTRUMENTS, OFF-BALANCE SHEET RISKS AND CONTINGENCIES (concluded)**

Securities owned valuation may decrease due to subsequent declines in the fair market value.

The Company is involved in a dispute with a regulatory agency arising in the normal course of business, which is in the preliminary stage. Management, after review and discussion with counsel, believes the dispute will be resolved by paying a fine in the amount of \$8,000. As of March 31, 2006, the Company has recorded this estimate as a liability.

The Company bears the risk of financial failure by its clearing broker. If the clearing broker should cease doing business, the amounts due from this clearing broker could be subject to forfeiture.

The Company's financial instruments, including cash, receivables, payables and other accrued liabilities are carried at amounts which approximate fair value due to their short maturities. Securities owned are valued at market value using quoted market prices.

## **SUPPLEMENTARY INFORMATION**

**COMPUTATION OF NET CAPITAL  
PURSUANT TO UNIFORM NET CAPITAL RULE 15c3-1  
MARCH 31, 2006**

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**CREDIT:**

Shareholder's equity	\$	<u>86,833</u>
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<i>Net capital before haircuts on securities positions</i>		86,833
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Haircuts on securities positions and money market funds, includes undue concentration of \$8,317		<u>18,524</u>
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<b>NET CAPITAL</b>		68,309
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Minimum requirements of 6-2/3% of aggregate indebtedness of \$60,005 or \$5,000, whichever is greater		<u>5,000</u>
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<i>Excess net capital</i>	\$	<u><u>63,309</u></u>
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**AGGREGATE INDEBTEDNESS:**

Accounts payable and accrued expenses	\$	23,005
Commissions payable		<u>37,000</u>

<b>TOTAL AGGREGATE INDEBTEDNESS</b>	\$	<u><u>60,005</u></u>
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<b>RATIO OF AGGREGATE INDEBTEDNESS TO NET CAPITAL</b>		<u><u>0.88 to 1</u></u>
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NOTE: There are no material differences between the above computation of net capital and the corresponding computation as submitted by the Company with the unaudited Form X-17A-5 as of March 31, 2006.



SPICER JEFFRIES LLP

CERTIFIED PUBLIC ACCOUNTANTS

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## **INDEPENDENT AUDITORS' REPORT ON INTERNAL ACCOUNTING CONTROL REQUIRED BY SEC RULE 17a-5**

The Board of Directors of  
Stephen A. Kohn & Associates, Ltd.

In planning and performing our audit of the financial statements and supplementary information of Stephen A. Kohn & Associates, Ltd. (the "Company") for the year ended March 31, 2006, we considered its internal control structure, including procedures for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

Also, as required by Rule 17a5(g)(1) of the Securities and Exchange Commission ("SEC"), we have made a study of the practices and procedures (including tests of compliance with such practices and procedures) followed by Stephen A. Kohn & Associates, Ltd. that we considered relevant to the objectives stated in Rule 17a-5(g), (i) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and the procedures for determining compliance with the exemptive provisions of Rule 15c3-3; and (ii) for safeguarding the occasional receipt of securities and cash until promptly transmitted to the Company's clearing brokers. We did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications and comparisons, and the recordation of differences required by Rule 17a-13 or complying with the requirements for prompt payment for securities under section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System, because the Company does not carry security accounts for customers or perform custodial functions relating to customer securities.

The management of the Company is responsible for establishing and maintaining an internal control structure and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of internal control structure policies and procedures and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of an internal control structure and the practices and procedures are to provide management with reasonable, but not absolute, assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.



Because of inherent limitations in any internal control structure or the practices and procedures referred to above, errors or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate. This report recognizes that it is not practicable in an organization the size of Stephen A. Kohn & Associates, Ltd. to achieve all the divisions of duties and cross-checks generally included in a system of internal accounting control and that alternatively greater reliance must be placed on surveillance by management.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of the specific internal control structure elements does not reduce to a relatively low level the risk that errors or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the internal control structure, including procedures for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at March 31, 2006, to meet the SEC's objectives.

In addition, our review indicated that Stephen A. Kohn & Associates, Ltd. was in compliance with the conditions of exemption from Rule 15c3-3 pursuant to paragraph k(2)(ii) as of March 31, 2006, and no facts came to our attention to indicate that such conditions had not been complied with during the year.

This report is intended solely for the information and use of the Board of Directors, management, the Securities and Exchange Commission, the New York Stock Exchange, Inc., the National Association of Securities Dealers, Inc., and other regulatory agencies which rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Spicer Jeffries LLP".

Greenwood Village, Colorado  
May 11, 2006